UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/AC.96/853/Add.2
19 September 1995

Original: ENGLISH

EXECUTIVE COMMITTEE OF THE
HIGH COMMISSIONER'S PROGRAMME

Forty-sixth session

REPORT OF THE BOARD OF AUDITORS TO THE GENERAL ASSEMBLY ON THE ACCOUNTS OF THE VOLUNTARY FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES FOR THE PERIOD ENDED 31 DECEMBER 1994

Addendum 2 - Measures taken or proposed in response to the recommendations in the Report of the Board of Auditors to the General Assembly on the Accounts of the Voluntary Funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 1994

GE.95-03086

I. INTRODUCTION

1. In accordance with paragraph 10 of General Assembly resolution 47/211 of 23 December 1992, the following is a report on measures taken or to be taken by UNHCR in response to the Recommendations of the Board of Auditors, as contained in the main part of this document. Unless indicated otherwise, all references in the text relate to this document.

II. RECOMMENDATION 9(a)

2. **A proper system of collection, recording and analysis of information** regarding programme implementation should be established in the UNHCR headquarters early. This should be used to undertake more regular and periodical monitoring of the implementation of programmes and projects by the field offices and the implementing agencies.

Measures taken by the Administration

3. UNHCR currently operates very comprehensive data recording systems to enable monitoring and control of programme expenditures and implementation. This includes the electronic transmittal of expenditure data as well as the pouching of a series of field generated reports. The information is used by both support and operational divisions at Headquarters to monitor, assess and control the situation in the field.

4. UNHCR has specified further developments to the current financial management systems to enable field generated sub-agreements, reports and cheque totals to be recorded at Headquarters, to facilitate project financial reconciliation and to identify areas where data is incomplete. These changes will be in full operation by December 1995.

III. RECOMMENDATION 9(b)

5. Programme planning should be strengthened to ensure that Letters of Instruction (LOIs) are issued in time and detailed work plans are prepared for all programmes and projects. It should also be ensured that precisely worded project and sub-project agreements are signed with implementing partners prior to the start of the projects.

Measures taken by the Administration

6. There are continuous improvements being made to the programme planning cycle; Audit Recommendations are an important contribution to this process. The measures already taken to expedite the issuance of LOIs have resulted in the majority of LOIs now being issued prior to the beginning of the calendar year. Furthermore, the delegation of authority to the field has resulted in a reduction of 35 per cent of project revisions between 1993 and 1994.

7. The 1995 to 1997 programming instructions reaffirmed the need to include work plans in all project submissions and sub-agreements. Furthermore, these instructions also introduced, for headquarters units, the need to prepare Plans of Activities, including information on each unit's overall objectives and priorities as well as the objectives, time frame for implementation and resources required for each activity.

8. The current wording of sub-agreements is a reflection of the relationship UNHCR has with its implementing partners (i.e. one based on partnership rather than formal contractual arrangements); no major changes are currently planned. The software referred to in the response to 9(a) above will provide Headquarters with the facility to record the receipt of signed sub-agreements prior to the commencement of a project.

IV. RECOMMENDATION 9(c)

9. UNHCR should be more selective in identifying the implementing partners and restrict their number to the optimum manageable level. Multiplicity of implementing agencies and overlapping of their functions should be avoided to ensure economy in overhead cost.

Measures taken by the Administration

10. UNHCR makes every effort to select implementing partners who have the capability and resources to implement its sub-projects and who meet, as far as possible, the exacting criteria contained in UNHCR manuals. Very often, however, UNHCR has little choice in the more remote field locations. Restriction of the number of implementing partners and assessment of optimum manageable levels is something that depends on the local situation and time constraints. Every effort is made in the field to ensure that there are no more agencies than are necessary to implement a programme and that there is no overlapping of functions.

V. RECOMMENDATION 9(d)

11. UNHCR should ensure that all implementing agencies provide audited accounts, supported with audit certificates, from independent audit authorities.

Measures taken by the Administration

12. The requirement to provide audit certification is one of the standard clauses in UNHCR sub-agreements with implementing partners. It is extremely difficult and often very expensive to ensure full compliance. It should be noted, however, that UNHCR's original intention in including in sub-agreements the clause on audit certification was to ensure that implementing partners were aware of the necessity of maintaining proper records which would be subject to audit. Therefore although the need for certification is prescribed, the enormous diversity in type of project and size of implementing partner means that in practice a more flexible approach is adopted.

13. This subject is under review and discussion and proposed changes to current practice will be on the Agenda for the next meeting of the UNHCR Audit Committee in September.

VI. RECOMMENDATION 9(e)

14. UNHCR should ensure that implementing partners maintain separate accounts for UNHCR funds. UNHCR should also develop an appropriate monitoring procedure to ensure compliance with its established requirements.

Measures taken by the Administration

15. UNHCR has more than 500 implementing partners. Many implement more than one sub-project and are present in more than one country. It is a requirement of the sub-agreement signed by implementing partners that they open and maintain a separate bank account for UNHCR funds and keep separate accounting records. Current practice is that this is monitored by the UNHCR field or branch office dealing with the partner. Because there have been several instances of non-compliance identified by headquarters staff and by internal audit, UNHCR have been stressing this requirement to field office staff, to ensure that monitoring and spot checking are carried out.

VII. RECOMMENDATION 9(f)

16. UNHCR should review and strengthen the procedure for receipt of periodical project monitoring/sub-project monitoring reports from all implementing agencies. UNHCR should also ensure that programme managers take timely action to review such reports and initiate corrective actions.

Measures taken by the Administration

17. The timely receipt of complete and accurate monitoring reports from implementing partners has long been a difficulty for Field Offices, even though it is a requirement of the sub-agreement. The review, analysis and necessary actions arising from such reports is also an area where UNHCR has been focusing.

18. This is largely an issue of the proper training and instruction of field-based officers and of effective management of existing procedures and systems to monitor compliance. The training is an ongoing exercise and the procedures and controls at the field level are already established (although future versions of field software may include a recording facility). The shift to decentralization brings with it the need for the Representative, in particular, to play a more active role in monitoring implementing partners; this is the subject of recent instructions and training proposals.

19. At headquarters level there will be further developments. Recommendation 9(a) above referred to the collection and recording of field information which will enable exception reporting for follow up action.

VIII. RECOMMENDATION 9(g)

20. Annual Purchasing Plans should cover a wide range of commonly used articles. All major user-offices should be involved in the preparation of such plans.

Measures taken by the Administration

21. The 1995 to 1997 programming instructions reintroduced the requirement for purchasing plans. The 1996 programming exercise, which will be completed by all UNHCR Field Offices, requires the submission of annual purchasing plans for the major relief items and other high volume commodities. As noted by the auditors, this information will be reflected in the elaboration of UNHCR's long-term arrangements. The specific commodities, for which information will be requested, will include items such as blankets, plastic sheeting, kitchen sets, jerrycans, registration kits, water tankers, computers, vehicles and generators.

IX. RECOMMENDATION 9(h)

22. Market survey mechanisms for collecting data regarding reliable sources of supply, trend of prices and the lead time required for the supply of materials should be strengthened. These should be made available to the requisitioning officers to enable better purchase planning.

Measures taken by the Administration

23. Market research is an ongoing task for UNHCR. This task has been given a considerable boost in recent months by the notices that the Office has published soliciting expressions of interests for the major relief commodities.

24. UNHCR agrees with the auditors that dissemination of timely information to the users in the field is an important aspect of the purchase planning exercise. As noted by the auditors, lead time information will be included in future editions of the list of UNHCR's most commonly purchased items.

X. RECOMMENDATION 9(i)

25. Suitable provisions should be included in the quotation requests to indicate the estimated quantities likely to be purchased so as to generate more competitive bids. Field offices should be authorized to operate on frame agreements, subject to quantity and budget restrictions.

Measures taken by the Administration

26. As Quotation Requests for regular purchases already include quantity information, UNHCR assumes that the auditors are referring to the request for offers for long-term contracts for the major relief items. Most extended price validity arrangements entered into during the past year by UNHCR provided historical information in the Quotation Request. As already confirmed in the response to recommendation 9(g) above, anticipated quantities, to the extent that they are

reliably forthcoming from the Annual Purchasing Plan exercise, will be included in the Quotation Requests for those items for which the information has been requested.

XI. RECOMMENDATION 9(j)

27. Maximum publicity should be given through advertisements before finalizing frame agreements so that world-wide competition could be generated for bulk purchase commodities.

Measures taken by the Administration

28. UNHCR concurs fully with the auditors' recommendation. As a first step toward concluding long-term frame agreements for the major relief items, the Office is already seeking expressions of interest by advertising its intentions in trade and other professional journals as well as requesting the Missions to the United Nations Office at Geneva to seek out potential national suppliers. Prequalification documents will be sent to those suppliers responding to this exercise.

29. UNHCR wishes to clarify that the procedure it currently follows of only sending Quotation Requests to prequalified suppliers, which the auditors described in paragraph 101, fully complies with United Nations Financial Rules and Regulations. UNHCR considers that its interests are adequately safeguarded in the context of our current procedures for tendering only against a specific requirement. The long-term frame agreements, however, engender new imperatives. The Office recognizes that existing procedures do not adequately respond to these and has taken the necessary steps to address the shortcomings.

XII. RECOMMENDATION 9(k)

30. Transparent procedures should be established for regular vendor performance evaluation and vendor rating. Vendor lists should also be updated periodically.

Measures taken by the Administration

31. UNHCR agrees with the auditors' essential recommendation that a vendor database needs to be accurate, up-to-date and complete. Procedures to exclude non-performing and uncompetitive suppliers on a regular basis have already been introduced and have been shared with the auditors. The Office would welcome any constructive recommendations that the auditors may have to further improve these procedures. With regard to vendor rating, discussions are ongoing and UNHCR hopes to be able to review its conclusions with the auditors during their next mission.

XIII. RECOMMENDATIONS 9(l)

32. Efforts should be made to implement the new asset management system as early as possible, and pending the same, suitable arrangements should be made to track and record all acquisitions of property in the existing system. UNHCR should ensure that all field offices/implementing partners maintain adequate records of properties and carry out periodical physical verification.

Measures taken by the Administration

33. The new Asset Management System MINDER is currently being implemented in all 128 locations. Ten regional workshops were held between November 1994 and May 1995, plus internal workshops at Headquarters.

34. Project and Administrative purchased assets are recorded upon acquisition and an annual physical examination will be undertaken. The administrative and operational controls contained within the new system are available to all Field Offices and implementing partners, and will enable local management to take responsibility for this area. A consolidation of all data is being entered on the central computer at Headquarters and browsing privileges will be given to the relevant staff members.

35. Preliminary instructions were issued to all Field Offices on 21 July 1994 on the interim measures to be taken during the implementation of the new system. While these are considered to be comprehensive and appropriate for dealing with the situation described by the auditors, an updated version is being prepared to reflect experience to date.

XIV. RECOMMENDATION 9(m)

36. The system of maintenance of inventory records, trip sheets, and monthly control registers in respect of vehicles should be improved by issuing clear instructions to the field offices and implementing partners. There should be regular analysis of the fuel consumption and repairs and maintenance expenditure to ensure that economy in expenditure is achieved.

Measures taken by the Administration

37. Instructions quoting this audit recommendations were issued to all Field Offices in June 1995. UNHCR will monitor implementation through the normal process of examination of the monthly accounts and through the monitoring role of the Desks. This will be reaffirmed through the work of the Internal Audit function.

XV. RECOMMENDATION 9(n)

38. The number of training programmes and participants should be increased to meet the planned target. The course contents should be revised to cover topics closely related to job assignments. A larger share of the training slots should be earmarked for training of the personnel of the major implementing partners.

Measures taken by the Administration

39. The volume of training implemented in 1994 was, in fact, higher than in 1993. It is true that some activities were rescheduled or cancelled in the course of the year due to the large-scale emergencies that occurred in 1994, placing great strains on resources and staff availability. As noted in the audit observation of 17 April 1995, 83 per cent of planned courses did actually take place, which UNHCR

considers to be a satisfactory level of achievement. Efforts will continue, notably through careful monitoring, to further improve this level of implementation.

XVI. RECOMMENDATION 9(o)

40. Retrospective appointment of consultants should not be made except under exceptional circumstances. Performance of consultants should be evaluated at the end of each contract period against stipulated outputs.

Measures taken by the Administration

41. The administration previously informed the Board that, given the emergency staffing needs facing UNHCR, there is a constant pressure to recruit staff and consultants rapidly. The Office is fully aware of the problem as raised in the observations and has already brought this to the attention of the requesting offices. In the future, UNHCR will remind the requesting offices that no extension will be granted and no consultants will be recruited if requests are not submitted in good time.

42. The financial rules preclude a final payment being made to a consultant unless an evaluation form is completed. This is complied with at Headquarters but there is some difficulty in ensuring field compliance. For this reason, renewed efforts are being made to communicate and enforce this requirement.

XVII. RECOMMENDATION 9(p)

43. Staff members and consultants should be allowed, normally, only one travel advance. Subsequent advances should be permitted only after the earlier ones have been accounted for.

Measures taken by the Administration

44. The Administration exercises a close follow-up of travel claims of consultants. The unit in charge of consultants has been monitoring the submission of travel claims: a log book of submitted travel claims is kept up-to-date.

45. However, in some instances, the United Nations Office at Geneva takes a longer time to settle claims and, since consultants continue to perform their duties, it is imperative to issue a further advance, thus resulting in more than one advance pending for a particular consultant or holder of a short-term appointment. With the establishment of a close follow-up in the Consultant's and Short-Term Units, this gap has been gradually closing. Close monitoring will continue to be exercised.

XVIII. RECOMMENDATION 9(q)

46. A proper procedure should be established for accounting, pricing of goods, and periodical stock verification of the public information materials sold through Public Information shops.

Measures taken by the Administration

47. Accounting has been improved by the acquisition of computer software packages to deal with sales against inventory and accounting. Staff training was conducted in April 1995 on sales tracking and improvements in accounting and planning, as well as new sales and inventory reporting. Expenditures and receipts can also now be tracked against the project.

48. There are no written guidelines for price setting, but practices are similar to other United Nations agencies, based largely on what the market will bear with adjustment for slow-moving items. Each field sales stock order is reviewed at Headquarters, but ascertaining field stock levels is a laborious exercise, particularly when the corresponding sales receipt posting takes several weeks. A physical inventory was taken before and after the recent office move and the stock records have been correspondingly updated.

XIX. RECOMMENDATION 9(r)

49. An investment committee should be established at the UNHCR headquarters to advise on long-term investments.

Measures taken by the Administration

50. UNHCR may make short-term investments in accordance with Financial Rule 9.1 (A/AC.96/503/Rev.5); it is not envisaged to seek exceptions to this rule. UNHCR also does not envisage having any long-term investments in the foreseeable future, hence the establishment of an investment committee is not foreseen.